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 RUEHBJ/AMEMBASSY BEIJING 6061
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 RUEHJA/AMEMBASSY JAKARTA 8732
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 RUEHKO/AMEMBASSY TOKYO 3277
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USIA

USIA FOR GC/CL PLEASE PASS MEMBERS OF CODEL DANFORTH,
 P/M, P/FW, P/FN, P/PFF, EA;
 SECSTATE FOR EAP/J, EAP/K, EAP/C, EAP/P FOR DAN HOWARD;
 WHITEHOUSE FOR USTR;
 EMBASSIES FOR USIS; BEIJING FOR P&C; AIT FOR CIS

E.O. 12356: N/A

SUBJECT: CODEL DANFORTH HONG KONG PRESS CONFERENCE

1. MEMBERS OF THE DELEGATION LED BY SENATOR JOHN
 DANFORTH HELD A PRE-DEPARTURE PRESS CONFERENCE IN HONG
 KONG AT 9 A.M. FRIDAY MORNING, JANUARY 17, 1985.
 SENATORS DANFORTH, SIMPSON, BAUCUS, EXON AND
 ROCKEFELLER PARTICIPATED. THE TRANSCRIPT OF THE PRESS
 CONFERENCE FOLLOWS. ADDRESSEES SHOULD NOTE THAT THE
 TRANSCRIPT WAS NOT CLEARED BY THE CODEL BEFORE
 DEPARTURE.

2. (BEGIN TRANSCRIPT)

- SENATOR DANFORTH: WELL, HERE AT THE HEAD TABLE
 FROM YOUR RIGHT TO LEFT: SENATOR JAY ROCKEFELLER
 FROM WEST VIRGINIA, SENATOR ALAN SIMPSON FROM WYOMING
 -- YOU OF COURSE KNOW OUR CONSUL GENERAL, BURT LEVIN
 -- SENATOR MAX BAUCUS FROM MONTANA, SENATOR JIM EXON
 FROM NEBRASKA. WE'VE BEEN AWAY FROM THE UNITED STATES
 NOW FOR ABOUT A WEEK AND A HALF, WE'VE VISITED KOREA,
 AND JAPAN, AND NOW HONG KONG. THE FOCUS OF THIS TRIP
 HAS BEEN INTERNATIONAL TRADE; WE HAVE ADDRESSED
 VARIOUS ASPECTS OF THE SIGNIFICANT TRADE DEFICIT THAT
 THE U.S. IS RUNNING WITH THE REST OF THE WORLD, AND
 WE'RE PREPARED TO RECEIVE ANY QUESTIONS THAT YOU
 HAVE...THERE ARE NO QUESTIONS. (LAUGHTER)

3. QUESTION: SENATOR, WHAT DID YOU DISCUSS, WHICH

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SPECIFIC ISSUES DID YOU DISCUSS WITH OFFICIALS IN EACH COUNTRY? WERE THERE DIFFERENT SETS OF ISSUES FOR EACH COUNTRY?

4. SENATOR DANFORTH: YES, AS I SAID, THE FOCUS OF THE TRIP WAS INTERNATIONAL TRADE. WE STARTED IN KOREA; SOME PEOPLE SAY THAT KOREA IS THE NEXT JAPAN. KOREA IS NOW RUNNING ABOUT A FOUR-AND-A-HALF BILLION DOLLAR TRADE SURPLUS WITH THE UNITED STATES. KOREA'S POSITION IS THAT IT WANTS TO EMPHASIZE EXPORTS; IT'S BEEN HIGHLY PROTECTIONIST IN PROTECTING ITS OWN INDUSTRIES. THE BASIC POINT THAT THEY TRIED TO MAKE TO US IN KOREA IS THAT THEY DON'T CONSIDER THEMSELVES A SECOND JAPAN, AND THE BASIC POINT THAT WE TRIED TO MAKE IS, WE HOPE NOT. BUT IF THEY'RE GOING TO AVOID THAT, THEY'RE GOING TO HAVE TO MAKE SURE THAT THEY OPEN THEIR MARKETS TO WHAT OTHER COUNTRIES HAVE TO SELL.

- IN JAPAN -- IT WAS A VERY INTERESTING VISIT IN JAPAN -- THE STATED POSITION OF A WHOLE LINE OF OFFICIALS, AND WE VISITED WITH MANY OFFICIALS IN JAPAN, WAS A RECOGNITION OF THE TRADE SURPLUS THAT THEY ARE RUNNING IS NOT HEALTHY; THAT IT'S NOT HEALTHY FOR THE UNITED STATES, IT'S NOT HEALTHY FOR JAPAN, IT'S NOT HEALTHY FOR THE RELATIONSHIP BETWEEN THE TWO COUNTRIES. AND THEY STATED A DESIRE TO OPEN THEIR MARKET FURTHER, TO BUY PRODUCTS FROM THE REST OF THE WORLD, AND TO ORIENT THEIR ECONOMY MORE TOWARD CONSUMPTION AND LESS TOWARD EXPORTING THAN HAS BEEN IN THE CASE IN THE PAST.

- IN HONG KONG, OF COURSE, THE CONCERNS OF THE OFFICIALS OF HONG KONG HAD TO DEAL WITH U.S. POLICY, WHEREAS IN KOREA AND JAPAN, WE WERE EXPRESSING OUR CONCERNS ABOUT THE POLICIES OF OTHER COUNTRIES. IN PARTICULAR, THEY WERE CONCERNED ABOUT THE FUTURE OF THE GENERALIZED SYSTEM OF PREFERENCES AND THE POSSIBILITY OF TEXTILE AND QUOTA LEGISLATION ON TEXTILES. ANY ONE WHO WOULD LIKE TO SPEAK ON ANY SUBJECT AT THE HEAD TABLE, PLEASE?

5. QUESTION: IN YOUR DISCUSSIONS WITH THE HONG KONG GOVERNMENT OFFICIALS, SPECIFICALLY ON THE GSP ISSUE,

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WHAT ARGUMENT DID THEY PUT TO YOU TO CONVINCE YOU THAT HONG KONG SHOULDN'T BE GRADUATED OUT OF THE SYSTEM? AND WHAT WAS YOUR RESPONSE?

6. SENATOR DANFORTH: THEIR POSITION IS THAT HONG KONG IS A FREE TRADE COUNTRY; THAT HONG KONG IS HIGHLY DEPENDENT ON TRADE; THAT THEIR MARKETS ARE OPEN; AND THEY'RE CONCERNED THAT IF GSP STATUS IS NO LONGER AVAILABLE TO HONG KONG THEN THERE'LL BE A DIVERSION OF BUSINESS TO OTHER COUNTRIES. WE ASSURED THEM THAT ANY GRADUATION FOR HONG KONG WOULD BE PART OF AN OVERALL CHANGE IN THE GSP, THAT THERE WAS ABSOLUTELY NO EFFORT, NO SUGGESTION THAT HONG KONG WAS GOING TO BE SINGLED OUT FOR ANY SPECIAL TREATMENT; BUT RATHER THAT NEWLY INDUSTRIALIZED COUNTRIES WOULD BE TREATED AS

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NEWLY INDUSTRIALIZED AND (AS) DEVELOPING COUNTRIES NO LONGER. IN OTHER WORDS, THEY'RE NO LONGER IN THE STATUS OF DEVELOPING COUNTRIES AND HAVE REACHED THE POINT WHERE THEY DON'T NEED THE SPECIAL PREFERENCE THAT THE GSP HAS OFFER.

7. QUESTION: SENATOR, DO YOU THINK THAT THE CONGRESS WILL BE INCREASINGLY PROTECTIONIST THIS YEAR, MORE SO THAN LAST, PERHAPS?

8. SENATOR DANFORTH: WHY DON'T I CALL ON, SAY, SENATOR EXON TO START ANSWERING THAT QUESTION.

9. SENATOR EXON: LET ME FIRST START BY SAYING THAT I THINK THAT AMERICANS HAVE EVIDENCED THE FACT THAT WE ARE FREE TRADERS, AND ACTIVE FREE TRADERS, BY NATURE. IF YOU DON'T BELIEVE THAT, VISIT WITH OUR WIVES AS WE LEAVE HONG KONG THIS MORNING; YOU'LL SEE THAT WE PRACTICE WHAT WE PREACH WITH REGARD TO FREE TRADE.

- WE ARE VERY FEARFUL THAT PROTECTIONIST LEGISLATION IS GOING TO CONTINUE TO MOUNT. MOST OF THE SENATORS AT THIS TABLE VOTED AGAINST THE PROTECTIONIST LEGISLATION, WITH REGARD TO TEXTILES AND SHOES, THAT YOU FOLLOWED VERY CLOSELY. IF THERE IS ONE THING THAT I THINK THAT I PICKED UP FROM THE TRIP, IT'S THE FACT THAT THE KOREANS AND THE JAPANESE, AND TO A LESSER EXTENT THOSE OF YOU IN HONG KONG, PROBABLY DO NOT HAVE A FULL COMPREHENSION AND UNDERSTANDING OF THE SITUATION IN AMERICA TODAY. BUT A HUNDRED AND FIFTY BILLION DOLLAR TRADE DEFICIT GOING UP -- WE CAN'T AFFORD THAT, ANY MORE THAN WE CAN AFFORD OUR MONETARY DEFICIT, OUR FISCAL DEFICIT AND EVERYTHING ELSE THAT'S GOING DOWN IN AMERICA TODAY. WHILE WE CONTINUE TO GET BIGGER AND BIGGER, THE CONGLOMERATES CONTINUE TO TAKE OVER. I AM LOOKING BACK IN HISTORY; I THINK BACK TO THE BOSTON TEA PARTY. THAT WAS A FIRST IMPORTANT PROTECTIONIST ACTION TAKEN BY AMERICA AND I HOPE THAT THE COMING PROTECTIONIST ACTIONS THAT I AM FEARFUL OF GOING TO TAKE PLACE HAVE THE SAME ADVANTAGEOUS EFFECT FOR AMERICA AS DID THE BOSTON TEA PARTY. I'M NOT SURE THAT THAT IS GOING TO BE THE RESULT.

- AS A FORMER GOVERNOR AND SENATOR OF A PRIME AGRICULTURAL, FOOD-PRODUCING STATE, WE ARE VERY MUCH INTERESTED AND HOPEFUL ABOUT THE OPENING UP OF MAINLAND CHINA. PROBABLY AS A RESULT OF THE NEGOTIATIONS TO MAKE HONG KONG A PART OF MAINLAND CHINA -- OR MAINLAND CHINA A PART OF HONG KONG, DEPENDING UPON YOUR PARTICULAR POINT OF VIEW -- THAT HAS SOME GOOD SIGNS; IT ALWAYS HAS SOME KIND OF POTENTIAL DANGER SIGNALS, BECAUSE WE RECOGNISE AND REALIZE THAT IF THERE IS AN AGRARIAN COUNTRY TODAY IN

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THE WORLD, IT'S MAINLAND CHINA. IT COULD BODE SOME FURTHER DOWNWARD PRESSURE ON AGRICULTURAL PRICES THAT ARE NOW NEAR ALL-TIME LOW COMPARED WITH PRODUCTION COSTS, AND CAUSING A DEPRESSION TODAY -- I EMPHASIZE THE WORD "DEPRESSION" -- IN THE RURAL HEARTLAND OF AMERICA. WE HAVE ALL KINDS OF PROBLEMS. I THINK WE

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CAN WORK OUR WAY OUT OF THEM IF WE WORK CONSTRUCTIVELY TOGETHER, BUT EACH OF US, THOSE IN AMERICA AND THOSE PARTICULARLY IN ASIA -- AND I MENTION SINGULARLY JAPAN AND KOREA AND FORMOSA -- ARE GOING TO HAVE TO RECOGNIZE THAT NO LONGER CAN AMERICA TAKE ALL THE PRODUCTS THAT YOU MANUFACTURE AND STILL HAVE A HEALTHY ECONOMY THAT I THINK HAS A MAJOR BEARING ON WHAT'S GOING TO HAPPEN TO NOT ONLY TO THE FREEDOM OF THE FREE WORLD BUT THE MILITARY IMPACT THAT OUR MILITARY BUILD-UP HAS HAD, I HOPE, IN STABILIZING THE FORCES OF FREEDOM ROUND THIS GLOBE OF OURS.

10. QUESTION: SENATOR HOLLINGS IS APPARENTLY WORKING ON A Milder VERSION OF THE JENKINS BILL RIGHT NOW. COULD YOU TELL US WHAT PROSPECTS YOU THINK THE BILL WILL HAVE, THE OUTLOOK FOR THAT BILL IN CONGRESS THIS YEAR?

11. SENATOR DANFORTH: YES. THE FACT THAT BOTH HOUSES OF CONGRESS PASSED THE TEXTILE BILL IS INDICATIVE OF A CHANGE OF MOOD WITHIN THE UNITED STATES. THE CONSTITUENCY FOR FREE TRADE HAS REALLY COLLAPSED. TWO, THREE YEARS AGO, THE TEXTILE BILL WOULD NOT HAVE PASSED. IT DID PASS. THE PRESIDENT VETOED IT; THERE ARE NOT ENOUGH VOTES TO OVERRIDE THE VETO IN EITHER THE HOUSE OR THE SENATE. I THINK THAT ANY MODIFIED VERSION OF THE TEXTILE BILL WOULD HAVE THE SAME FATE AS THE TEXTILE BILL. I THINK MOST PEOPLE HAVE MADE UP THEIR MINDS ON THE MERITS OF THE ISSUE WITHOUT REGARD TO THE FINE POINTS OF THE DETAILS. I THINK THAT WHAT WE ARE LOOKING FOR IS THE RENEGOTIATION OF THE MULTI-FIBER ARRANGEMENT. THE HOPE IS THAT WITH THE RENEGOTIATION OF THE MULTI-FIBER ARRANGEMENT, THERE CAN BE SOME ADDITIONAL HELP FOR A VERY BELEAGUERED U.S. TEXTILE AND APPAREL INDUSTRY; BUT THAT IT CAN BE DONE WITHIN THE CONTEXT OF BOTH MULTILATERAL AND BILATERAL AGREEMENTS WITH OTHER COUNTRIES, NOT ON THE BASIS OF THIS NEW PIECE OF LEGISLATION WHICH WOULD VIOLATE THE TERMS OF EXISTING AGREEMENTS.

12. SENATOR EXON: SENATOR DANFORTH, WOULDN'T IT BE FAIR TO ADD A CAVEAT TO THE STATEMENT YOU JUST MADE? WOULDN'T IT BE FAIR TO SAY THAT -- I THINK YOU WILL AGREE -- THAT THERE ARE NOT ENOUGH VOTES IN THE CONGRESS RIGHT NOW TO OVERRIDE A PRESIDENTIAL VETO?

13. SENATOR DANFORTH: RIGHT.

14. SENATOR EXON: I THINK IT IS VERY PROBLEMATIC WHETHER THAT IS GOING TO LONG ENDURE UNLESS WE HAVE SOME MEASURE OF RELIEF FROM THE PRESENT SITUATION.

15. SENATOR DANFORTH: I THINK THAT'S CORRECT. IT'S A VERY FLUID SITUATION NOW IN THE U.S.

16. QUESTION: SENATOR, DO YOU SEE A DICHOTOMY IN THE FACT THAT THE U.S. IS PUSHING FOR A LIBERALIZATION OF THE GATT, WHILE AT THE SAME TIME THEY ARE PUSHING FOR A MORE, A STRICTER MFA?

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17. SENATOR DANFORTH: WELL, I DON'T KNOW WHO IS PUSHING FOR A LIBERALIZATION OF THE GATT. I THINK WE ARE PUSHING -- YOU HAVE TO UNDERSTAND, FIRST OF ALL, ALL OF THE ENERGY BEHIND A NEW GATT ROUND IN THE U.S. COMES FROM THE ADMINISTRATION, NONE OF IT FROM CONGRESS. OUR HOPE IS THAT IF THERE IS GOING TO BE A NEW ROUND, IT WILL TAKE CARE OF SOME PROBLEMS THAT WE HAVE WITH THE EXISTING SYSTEM. A LOT OF PEOPLE ARE RAISING QUESTIONS AS TO WHETHER GATT WORKS ANY MORE. EVEN CLAYTON YEUTTER, OUR U.S. TRADE REPRESENTATIVE, PUBLICLY EXPRESSES DOUBTS AS TO WHETHER OR NOT GATT IS WORKABLE TODAY. SO, OUR VIEW IS THAT IF GATT, FOR EXAMPLE, CAN DO A BETTER JOB OF HELPING AMERICAN AGRICULTURE BY ELIMINATING SOME SUBSIDIES THAT INTERFERE WITH OUR MARKETS, IF GATT CAN DO A BETTER JOB OF REMOVING RESTRICTIONS ON INVESTMENTS IN OTHER COUNTRIES AND SO ON, THEN, YOU KNOW, THEN A NEW ROUND WOULD BE DESIRABLE. BUT I DON'T THINK THAT THERE IS ANY NOTION IN THE U.S. THAT JUST LIBERALIZING TRADE -- IF BY THAT IT MEANS THAT THE U.S. UNILATERALLY IS GOING TO LIBERALIZE TRADE -- WE WANT BETTER ACCESS TO OTHER COUNTRIES.

18. QUESTION: CAN YOU TELL US, NOW THAT YOU HAVE MADE THREE STOPS, WHAT YOU SEE AS SOLUTIONS TO THE U.S. TRADE DEFICIT. I MEAN, YOU OBVIOUSLY RECOGNISE THE PROBLEMS.

19. SENATOR DANFORTH: I'M GOING TO ASK SENATOR BAUCUS IF HE WILL ADDRESS THAT.

20. SENATOR BAUCUS: I'D LIKE TO BEGIN BY COMPLIMENTING HONG KONG. I THINK FRANKLY THERE'S A LOT OF HOPE AND OPTIMISM FOR CONTINUED GROWTH IN TRADE, AND PARTICULARLY REDUCED BARRIERS TO TRADE. HONG KONG, I THINK, IS A SHINING EXAMPLE THAT MUCH OF THE WORLD SHOULD FOLLOW. IT PRACTICES WHAT IT PREACHES. IT'S A FREE TRADE AREA AND MORE COUNTRIES SHOULD FOLLOW HONG KONG'S EXAMPLE. OF COURSE, EACH COUNTRY'S IN A DIFFERENT SITUATION SO NOT ALL COUNTRIES CAN BE AS MUCH FREE TRADERS AS IS HONG KONG. BUT CERTAINLY HONG KONG DOES PROVIDE, I THINK, A SHINING EXAMPLE THAT OTHER COUNTRIES SHOULD FOLLOW. - IT SEEMS TO ME THAT THE LESSONS WE HAVE LEARNED ARE PRIMARILY THAT WE AT HOME, AS AMERICANS, HAVE TO WORK HARDER. WE HAVE TO LEARN OTHER COUNTRIES' CULTURES AND LANGUAGES BETTER. WE HAVE TO LEARN HOW TO MARKET OUR PRODUCTS BETTER. WE HAVE TO LEARN HOW TO INCREASE OUR PRODUCTIVITY MORE. IN ADDITION, WE HAVE LEARNED THAT OTHER COUNTRIES, PARTICULARLY JAPAN, AND TO A LARGE DEGREE, KOREA, ARE VERY RESTRICTIVE. AND WE AS AMERICANS HAVE TO CONTINUE TO PUSH AS HARD AS WE CAN, UTILIZING WHATEVER MEASURES THAT WE CAN FIND AVAILABLE TO US, TO ENCOURAGE JAPAN AND KOREA TO BREAK DOWN THOSE TRADE BARRIERS, TO BRING THOSE BARRIERS DOWN AS CLOSE TO ZERO, TO THE SAME DEGREE AS MUCH AS POSSIBLE AS THEY ARE NOW IN HONG KONG. JAPAN HAS RISEN MIRACULOUSLY, HAS GROWN MIRACULOUSLY, BECAUSE OF AN OPEN FREE TRADING SYSTEM. JAPAN KNOWS THAT. AND JAPAN, THEREFORE, HAS MORE TO LOSE THAN ANY OTHER COUNTRY IF THAT OPEN FREE TRADING SYSTEM IN THE WORLD BREAKS DOWN. AND WE IN AMERICA WILL OR WILL NOT PASS PROTECTIONIST LEGISLATION BY AND LARGE DEPENDING UPON THE STRENGTH OF THE AMERICAN ECONOMY IN THE NEXT SEVERAL YEARS, DEPENDING UPON HOW MANY AMERICANS ARE UNEMPLOYED AND OUT OF WORK. WE'LL DO WHAT WE CAN AT

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HOME TO PUT THOSE PEOPLE TO WORK, GIVE THEM JOBS; BUT
IF OTHER COUNTRIES ARE RESTRICTIVE, AND IF THAT IS
PERCEIVED TO DENY AMERICANS JOBS, THEN THE AMERICAN
CONGRESS, THE AMERICAN PUBLIC ARE GOING TO PASS
PROTECTIONIST LEGISLATION IN ORDER TO PROTECT AMERICAN
JOBS SO THAT OUR PEOPLE ARE BACK TO WORK. I AM HOPING
THAT WE WON'T HAVE TO DO THAT. I AM A FREE TRADER,
BUT I'M ALSO A SENATOR FROM THE STATE OF MONTANA. I
AM A UNITED STATES SENATOR AND I WILL WHAT I CAN TO
PROTECT MY PEOPLE IN WHATEVER WAY I HAVE TO, AND MY
HOPE IS WE DON'T HAVE TO BE PROTECTIONIST. THE SHORT
OF IT IS, WE'VE LEARNED THAT WE HAVE A LOT TO DO AT
HOME. WE'VE ALSO LEARNED WE HAVE TO PUSH EVER
AGGRESSIVELY TO DO WHAT WE CAN TO ENCOURAGE COUNTRIES
TO LOWER THEIR BARRIERS TO TRADE.

21. QUESTION: DO YOU ALL...DO ANY OF YOU HAVE ANY
SPECIFIC LEGISLATIVE PROPOSALS IN MIND THAT YOU THINK
MIGHT AMELIORATE THE TRADE SITUATION?

22. SENATOR DANFORTH: YES. THERE ARE SEVERAL BILLS
THAT WE HOPE WILL BE PASSED IN THIS NEXT SESSION OF
CONGRESS. ONE IS AN OMNIBUS BILL, THE SO-CALL TRADE
ENHANCEMENT BILL, THAT COVERS A WHOLE RANGE OF
SUBJECTS DEALING WITH INTERNATIONAL TRADE. THE EFFORT
OF THE BILL IS NOT TO BE PROTECTIONIST. THE EFFORT IS
TO IMPROVE OUR ABILITY TO HAVE EQUAL ACCESS TO OTHER
COUNTRIES' MARKETS, AND ALSO TO ELIMINATE SOME OF THE
DISCRETION WHICH NOW EXISTS IN THE PRESIDENT TO
OVERRIDE, FOR EXAMPLE, DECISIONS OF THE INTERNATIONAL
TRADE COMMISSION, AND TO NOT IMPOSE SANCTIONS WHERE
THERE ARE UNFAIR TRADE PRACTICES. WE FEEL, IN OTHER
WORDS, THAT TRADE POLICY IN THE UNITED STATES, THE
ENFORCEMENT OF TRADE LAWS IN THE UNITED STATES, SHOULD
BE A MATTER OF ENFORCING THE LAWS THAT ARE ON THE
BOOKS, AND NOT MAKING A DECISION FOR POLICY REASONS
THAT THE LAWS DON'T MEAN ANYTHING. SO THAT IS A VERY
IMPORTANT BILL; IT HAS 34 CO-SPONSORS IN THE SENATE.

- THERE IS ALSO A BILL DEALING WITH
TELECOMMUNICATIONS. WHAT HAPPENED WHEN AT&T
DIVESTITURE OCCURRED WAS THAT THE U.S. MARKET WAS
UNILATERALLY OPENED TO SUPPLIERS OF TELEPHONE
EQUIPMENT AND OTHER MARKETS WERE GENERALLY SHUT TO
WHAT WE PRODUCE. WE THINK THAT THAT'S UNFAIR AND WE
WANT TO CORRECT THAT.

- THEN THERE IS A THIRD BILL THAT DEALS WITH JAPAN,
WHICH BASICALLY TAKES THE POSITION THAT ANY INCREASES
IN JAPANESE SURPLUSES WITH THE U.S. IN TRADE SHOULD BE
MADE UP BY EITHER PROVIDING COMPARABLE ACCESS TO THE
JAPANESE MARKET OR RETALIATING AGAINST UNFAIR TRADE
PRACTICES THAT EXIST.

- SO THOSE ARE THREE BILLS THAT ARE PENDING BEFORE
CONGRESS. SENATOR DOLE HAS EXPRESSED THE HOPE THAT AT
AN EARLY DATE DURING THIS CONGRESS WE'LL BE TO ADDRESS
THAT. WE'VE GOT OTHER PROBLEMS, OF COURSE -- THE
BUDGET DEFICIT AND THE TAX BILL -- WHICH MAY TAKE UP A
LOT OF TIME. BUT IT IS MY HOPE THAT WE CAN PASS
SIGNIFICANT TRADE LEGISLATION. SENATOR SIMPSON IS THE

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ASSISTANT MAJORITY LEADER AND HE MIGHT HAVE A COMMENT ON THIS.

23. SENATOR SIMPSON: I WILL CERTAINLY CONCUR WITH SENATOR DANFORTH. IT'S A PRIORITY OF SENATOR DOLE TO HANDLE THE TRADE ISSUES IN THIS NEXT SESSION OF CONGRESS. AND YOU MAY KNOW FROM STATEMENTS FROM SENATOR DOLE THAT HE FEELS EVER MORE STRONGLY ABOUT

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THAT TYPE OF LEGISLATION. AND I THINK HIS PUBLIC COMMENTS ON HIS TRIP TO JAPAN SEVERAL MONTHS AGO SEEM TO SPEAK WITH A MORE VIGOROUS CLARITY THAN PERHAPS EVEN THE SENATOR FROM MISSOURI. SO WE INDEED WILL HANDLE IT. THERE WILL BE MANY TRADE BILLS THAT WILL PROBABLY COME IN THE SAME DEBATE AND WILL BE SCHEDULED FOR FLOOR TIME, AMENDMENTS AT THE SAME TIME, AND INDEED, THE GENERAL THEME OF WHAT WE ARE TELLING PEOPLE, TOO -- AND I WOULD JUST ADD THIS -- IS THAT WE DON'T COME TO THREATEN OR TO BE AN IRRITANT TO JAPAN, OR KOREA, OR ANYONE ELSE. WE'RE JUST SAYING, LOOK, WE'VE GOT PROBLEMS IN THE UNITED STATES OF AMERICA. IF YOU WANT TO READ THAT AS JAPAN-BASHING OR WHATEVER YOU WISH, GO AHEAD. BUT THE POINT IS, IF WE HAVE VISITED UPON OURSELVES THE GRAMM-RUDMAN-HOLLINGS FORMULA, THE ELIXIR FOR GETTING OUT OF THE DEFICIT, THAT'S PRETTY HEAVY MEDICINE. AND WE'VE DONE THAT. WE DON'T KNOW WHAT EXACTLY WILL HAPPEN, BUT THAT WAS TO CURE A 200-BILLION-DOLLAR INTERNAL DEFICIT; AND IF WE'VE DONE THAT KIND OF HEAVY LIFTING IN THAT AREA, THEN YOU CAN ONLY IMAGINE WE'RE GOING TO DO THE SAME KIND OF HEAVY LIFTING ON 150-BILLION-DOLLAR TRADE IMBALANCE. SO THAT'S THE WAY IT IS. PERIOD.

24. QUESTION: CAN EITHER OF YOU GENTLEMAN SAY EXACTLY HOW MANY JOBS, OR WHAT IN DOLLARS ASIAN PROTECTIONISM HAS CAUSED THE UNITED STATES?

25. SENATOR DANFORTH: YES. I'M GOING TO CALL ON SENATOR ROCKEFELLER IN JUST A SECOND, BUT IT'S BEEN ESTIMATED ABOUT A MILLION AND A HALF JOBS HAVE BEEN LOST DUE TO JAPANESE TRADE PRACTICES. NOW, THERE HAVE BEEN JOBS THAT HAVE BEEN CREATED; THERE'S NO DOUBT ABOUT IT. THE ECONOMY HAS BEEN GROWING IN THE LAST FEW YEARS. THERE HAS BEEN A NET INCREASE IN JOBS. BUT SPECIFIC JOBS LOST BECAUSE OF UNFAIR TRADE PRACTICES -- IT'S BEEN ESTIMATED THAT IT'S ABOUT A MILLION AND A HALF. THE DIFFICULT THING IS THAT SOME OF THE PEOPLE WHO LOSE THEIR JOBS, EITHER BECAUSE OF UNFAIR TRADE PRACTICES -- OR ANY TRADE PRACTICES, IMPORTS -- DON'T HAVE OTHER THINGS THAT THEY CAN DO. FOR EXAMPLE, WHEN A SHOE FACTORY CLOSES DOWN IN A SMALL TOWN IN MY STATE, THE PEOPLE CAN'T GO AND WORK FOR A BANK. A 55-YEAR-OLD APPAREL WORKER CAN'T LEAVE THE SEWING MACHINE AND GO OUT AND BE ENGAGED IN THE INSURANCE BUSINESS. SO IT IS A VERY WRENCHING HUMAN SITUATION WHEN IT OCCURS; AND IT HAS OCCURRED TO A LOT OF PEOPLE IN OUR COUNTRY. SENATOR ROCKEFELLER?

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26. SENATOR ROCKEFELLER: IN ADDITION TO THAT -- TO SHOW THE DIMENSION OF THE NEWNESS OF THE TRADE PROBLEM AND HYSTERIA WITH RESPECT TO THE UNDERSTANDING OF OUR OWN PEOPLE -- ALL OF US OF COURSE ARE ELECTED AND ARE POLITICIANS AND WE RETURN TO MANY PUBLIC MEETINGS. WE HAVE MANY PUBLIC MEETINGS, AND UP UNTIL A YEAR AND A HALF AGO, IN THE 18 YEARS OF SO THAT I'VE BEEN IN POLITICS, NOBODY EVER RAISED A QUESTION ABOUT TRADE OR USED THE WORD "TRADE," MUCH LESS "INTERNATIONAL ASPECTS OF TRADE," EVEN THOUGH THE STATE THAT I REPRESENT, WEST VIRGINIA, EXPORTS 20 PERCENT OF ITS GROSS STATE PRODUCT, WHICH IS VERY HIGH PERCENTAGE, A RELATIVELY SMALL AMOUNT BUT A HIGH PERCENTAGE. SO NOW, WHEN WE GO BACK AND HAVE THESE PUBLIC MEETINGS, ALL OF US, TRADE IS THE FIRST ISSUE. AND IT'S THE FIRST ISSUE THAT PEOPLE BRING UP -- THEY STILL DON'T UNDERSTAND IT -- BUT IT IS THE FIRST ISSUE THEY BRING

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SECSTATE FOR EAP/J, EAP/K, EAP/C, EAP/P FOR DAN HOWARD;
WHITEHOUSE FOR USTR;
EMBASSIES FOR USIS; BEIJING FOR P&C; AIT FOR CIS

E.O. 12356: N/A
SUBJECT: CODEL DANFORTH HONG KONG PRESS CONFERENCE

UP BECAUSE THEY HAVE ASSOCIATED IT WITH LOSS OF JOBS. THEY HAVE ASSOCIATED IT WITH LOSS OF JOBS IN CASES WHERE IT WAS NOT THE CAUSE OF THE LOSS OF THEIR JOBS, AND IN THE CASE WHERE IT IS THE CAUSE OF THE LOSS OF THE JOBS. MY OWN PARTICULAR STATE -- COAL. IF I TELL YOU THAT TWO-THIRDS OF OUR COAL-MINERS ARE NOT WORKING, AND WHEREAS ABOUT 85 PER CENT WERE WORKING WHEN I BECAME GOVERNOR IN 1977, THAT IS A DRAMATIC FALL-OFF. WE EXPORT MORE COAL THAN ANY OTHER STATE IN AMERICA. A LOT OF IT GOES TO JAPAN, GOES TO THE PACIFIC RIM AND TO EUROPE. IT'S FAIRLY SELF-EVIDENT: EVERY ONE MILLION TONS OF METALLURGICAL COAL WHICH IS EXPORTED TO JAPAN, OR SOME OTHER COUNTRY IN THIS OR OTHER PART OF THE WORLD, EQUALS 500 JOBS. EVERY ONE MILLION TONS OF STEAM COAL WHICH IS EXPORTED SOMEWHERE ELSE IN THE WORLD EQUALS 400 JOBS. AND WE HAVE LOST HALF OF THE COAL EXPORTS IN OUR COUNTRY. SO IF -- YOU COULD DO THE MATHEMATICS OUT CLEARLY ON SUBJECTS OF COAL AND STEEL AND EVEN WITH RESPECT TO SHOES AND TEXTILES. BUT JOB LOSS IS SEVERE; UNEMPLOYMENT IN MY STATE IS 13 PERCENT. THE PEOPLE DO NOT CARE TO ANALYZE SCIENTIFICALLY JUST WHAT PROPORTION IS INTERNATIONAL AND WHAT PROPORTION IS DUE TO OUR OWN DEFICIENCIES; BUT THE ANGER IS THERE AND IT IS INCREASING.

27. SENATOR DANFORTH: WE HAVE TIME FOR ONE MORE QUESTION.

28. QUESTION: SENATOR DANFORTH, COULD YOU TELL US WHAT FORM OF NEW MFA YOU ARE LOOKING FOR WHEN YOU COME TO...AND IN THE MEETING THIS YEAR AND ALSO COULD YOU EXPECT SOME KIND OF ZERO GROWTH RATE OR EXTENSION OF RESTRICTED ITEMS?

29. SENATOR DANFORTH: NO, I DON'T HAVE ANY PARTICULAR KIND OF COMMENT ON THE DETAILS OF THE MFA OR NEGOTIATING OBJECTIVES OF THE U.S., ONLY A GENERAL CONCERN THAT WE CAN'T -- WE WON'T IN THE UNITED STATES HAVE THE TEXTILE AND APPAREL BUSINESSES JUST GO DOWN

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THE DRAIN. WE WANT TO RETAIN IT; WE ARE CONCERNED
ABOUT THE FUTURE, PARTICULARLY OF THE APPAREL
BUSINESS; AND THE HOPE IS THAT THE MFA CAN SUCCEED IN
PROVIDING SOME ADDITIONAL HELP TO OUR PEOPLE WITHOUT
ABROGATING EXISTING AGREEMENTS. BUT AS FAR AS
SPECIFIC OBJECTIVES FOR THOSE NEGOTIATIONS, I DON'T
HAVE ANY PARTICULAR THOUGHTS ON IT. THANK YOU.
(END TRANSCRIPT) YAKI
END OF MESSAGE

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